

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Radius & Deserve Land Developers Pvt Ltd.

January 23, 2019

Rating

Instrument/Facility	Amount (Rs. Crores)	Rating	Rating Action
Non-Convertible Debentures	302.00	IVR B / Stable Outlook (IVR Single B with Stable Outlook)	Reaffirmed IVR B; Credit watch with Developing Implications removed and Stable Outlook assigned
Total	302.00		

Details of Facility are in Annexure 1

Detailed Rationale

The rating reaffirmation and removal of credit watch with developing implications takes into account the payment of redemption premium to the lenders. The rating factors in the stretched liquidity position of the company due to prolonged delays in statutory approvals of the project and delays in receiving back the funds lent to group companies. The rating also factors high debt funded nature of the project and delays in its implementation. However, the rating derives comfort from good & fairly accessible location of the project site, promoters having experience in implementing premium real estate projects in Mumbai, receipt of Letter of Intent (LoI) from Slum Rehabilitation Authority and expected group support for repayment of debt. Availability of funds from the group for repayment of debt is a key rating sensitivity.

Detailed Description of Key Rating Drivers

Key Rating Weakness

Stretched liquidity position of the company due to prolonged delays in implementation of the project and delays in receiving back the funds lent to group companies

The construction of the project was to commence in July 2017, but the same has not started yet due to hurdles in the shifting of a high tension transmission tower belonging to Tata Power due to pending approvals. Out of the funds mobilised by way of NCD issue, substantial portion had been transferred to a group company, Radius & Deserve Builders

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LLP, being engaged in construction of a real estate project, Central Park (Chembur), an eastern suburb of Mumbai. Prolonged delays in implementation of the project and delays in receiving back the funds lent to group companies for servicing of the debt have resulted in stretched liquidity position of the company.

Non-receipt of clearances

The company requires clearance from the Ministry of Environment & Forest, NOC from High Rise Committee and Fire Department. These approvals are expected once the new layout is finalized post the shifting of transmission tower.

High debt funded nature of the project

The overall debt for the project is high at Rs. 417 crore as against equity/unsecured loans of around Rs. 13.42 crore.

Key Rating Strengths

Good & fairly accessible location of the project site

The real estate project being set up by RDLDP is at a distance of 1.5 kms location from Western Express Highway, Borivali and 3 kms from Borivali Railway Station. Thus, the project site is well accessible by road as well as rail. Further, the project site is about 8 kms from the office locality of Goregaon indicating that there is likely to be significant demand from the potential buyers.

Promoters' having experience in implementing real estate projects in Mumbai

RDLDP is a special purpose vehicle, being in 50:50 joint venture between Radius group and Deserve group, for setting up a slum rehabilitation & redevelopment project at Borivali, Mumbai. Deserve group will handle the negotiations with the slum dwellers and Radius group will be responsible for construction & sale of residential apartments in the project. Radius group has, in its credit, having successfully developed & delivered over 6 million sq. ft. of prime residential and commercial real estate properties and it has emerged as one of the largest developers in Bandra Kurla Complex. The Deserve group, having been in operation since 2006, has specialization in slum rehabilitation & redevelopment projects.

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Receipt of Letter of Intent (LoI) from the Slum Rehabilitation Authority

RDL DPL has obtained the LoI from the Slum Rehabilitation Authority (SRA) after adhering to the rigorous process, indicating that the majority of the slum dwellers have agreed to the rehabilitation proposal. But since the construction did not start on time, the LoI will have to be revalidated from SRA.

Expected group support for repayment of debt

The project is delayed significantly and the company is banking upon the cash flow of the group for the repayment of the rated NCDs, which are scheduled to be repaid in September 2019.

Analytical Approach & Applicable Criteria

Rating Methodology for Real Estate Entities

Group Support

Financial Ratios & Interpretation – (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity: - The project is delayed significantly and the company is banking upon the cash flow of the group for the repayment of the NCDs.

About the Company

Radius & Deserve Land Developers Pvt. Ltd (RDL DPL) is a real estate development company. It is currently engaged in the execution and development of a Slum Rehabilitation Residential project at Borivali (off Western Express Highway) in Mumbai. The initial area of the project was 12,13,995 sq.ft. which has been subsequently increased to 13,16,295 sq. ft. consequent to increase in the number of tenants to be rehabilitated thereby resulting in a change in the total saleable area of the project. RDL DPL is a 50:50 JV of Radius group and the Deserve group; both are well known in the real estate market of Mumbai. Radius group has its presence in the premium housing and commercial real estate space in Mumbai. The Deserve group has its presence largely in real estate involving slum rehabilitation and



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redevelopment of old properties. Raghuleela Builders Private Limited is the flagship company of the group owning the registered trade mark for the brand "Radius". Radius group set up in 1994 operates out of Mumbai's commercial hub, Bandra Kurla Complex. The company has had a track record of successful delivery of premium projects across Mumbai in commercial as well as residential segments. In the past, Radius has developed over 6 million sq. ft. of prime residential and commercial real estate properties. The group currently has 8 ongoing projects with potential saleable area of 20 million sq. ft. The upcoming residential projects are spread across the island city.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

Name of Instrument/Facilities	Current Rating (Year 2018-19)				Rating History for the past 3 years			
	Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16	
NCD	Long Term	302.00	IVR B/Stable Outlook	IVR B (Credit watch with Developing Implications) (September 14, 2018)	IVR BB-/Stable Outlook (June 11, 2018)	--	IVR BB-/Stable Outlook	IVR BBB-(SO)/Stable Outlook

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's



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long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures – Principal	Multiple tranches between 18 th September 2015 to 12 th February 2016	-	September 17, 2019	302.00	IVR B/Stable Outlook (IVR B with Stable Outlook)